



Motion Solutions that Change the Game

First Quarter 2021 Financial Results Call

May 6, 2021

Dick Warzala
Chairman, President & CEO

Mike Leach
Chief Financial Officer

Safe Harbor Statement

The statements in these slides that relate to future plans, events or performance are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate, or imply future results, performance, or achievements. Examples of forward-looking statements include, among others, statements the Company makes regarding expected operating results, anticipated levels of capital expenditures, the Company's belief that it has sufficient liquidity to fund its business operations, and expectations with respect to the conversion of backlog to sales. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on the Company's current beliefs, expectations and assumptions regarding the future of the Company's business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of the Company's control. The Company's actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, general economic and business conditions, conditions affecting the industries served by the Company and its subsidiaries, conditions affecting the Company's customers and suppliers, competitor responses to the Company's products and services, the overall market acceptance of such products and services, the pace of bookings relative to shipments, the ability to expand into new markets and geographic regions, the success in acquiring new business, the impact of changes in income tax rates or policies, the severity, magnitude and duration of the COVID-19 pandemic, including impacts of the pandemic and of businesses' and governments' responses to the pandemic on our operations and personnel, and on commercial activity and demand across our and our customers' businesses, and on global supply chains; our inability to predict the extent to which the COVID-19 pandemic and related impacts will continue to adversely impact our business operations, financial performance, results of operations, financial position, the prices of our securities and the achievement of our strategic objectives and other factors disclosed in the Company's periodic reports filed with the Securities and Exchange Commission. Any forward-looking statement speaks only as of the date on which it is made. New risks and uncertainties arise over time, and it is not possible for us to predict the occurrence of those matters or the manner in which they may affect us. The Company has no obligation or intent to release publicly any revisions to any forward looking statements, whether as a result of new information, future events, or otherwise.

This presentation will discuss some non-GAAP financial measures, which the Company believes are useful in evaluating our performance. You should not consider the presentation of this additional information in isolation or as a substitute for results prepared in accordance with GAAP. The Company has provided reconciliations of comparable GAAP to non-GAAP measures in tables found in the Supplemental Information portion of this presentation.

Q1 2021 Execution

Strong Performance

Record revenue of \$101.7 million, up 10%
170 bps sequential gross margin expansion to 29.6%
Operating income of \$6.6 million reflecting higher volume
Solid cash generation: \$5.6 million from operations
Net income of \$11.9 million, including one-time tax benefit

Diversified Strategy

Strong demand drove 60% increase of Medical sales;
includes full quarter of Dynamic Controls
Powersports drove 23% increase in Vehicle sales
Encouraging signs of recovery in Industrial and A&D
end markets

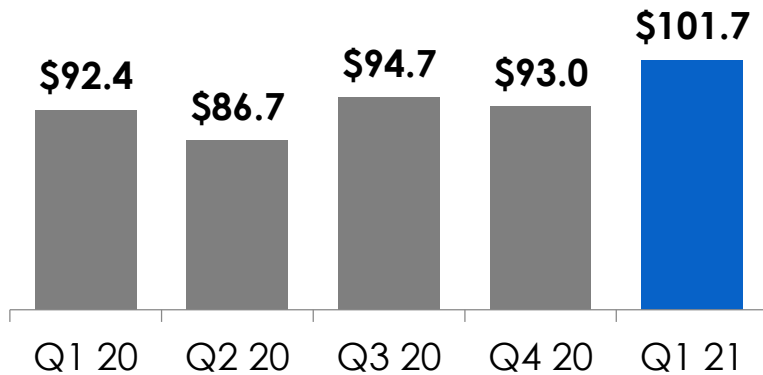
Effective Execution

Achieved record orders of \$114.6 million, up 23% YoY
Backlog grew 8% sequentially to a record \$152.3 million
Disciplined inventory management and ability to meet
customer requirements

Revenue

(\$ in millions)

Quarters



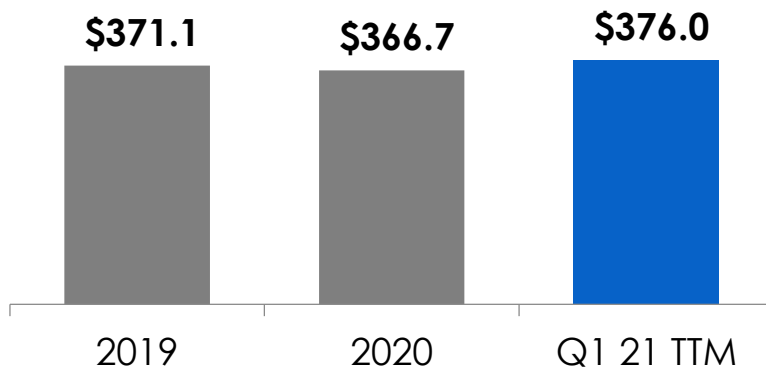
Record revenue of \$101.7 million

Up \$9.3 million or 10%

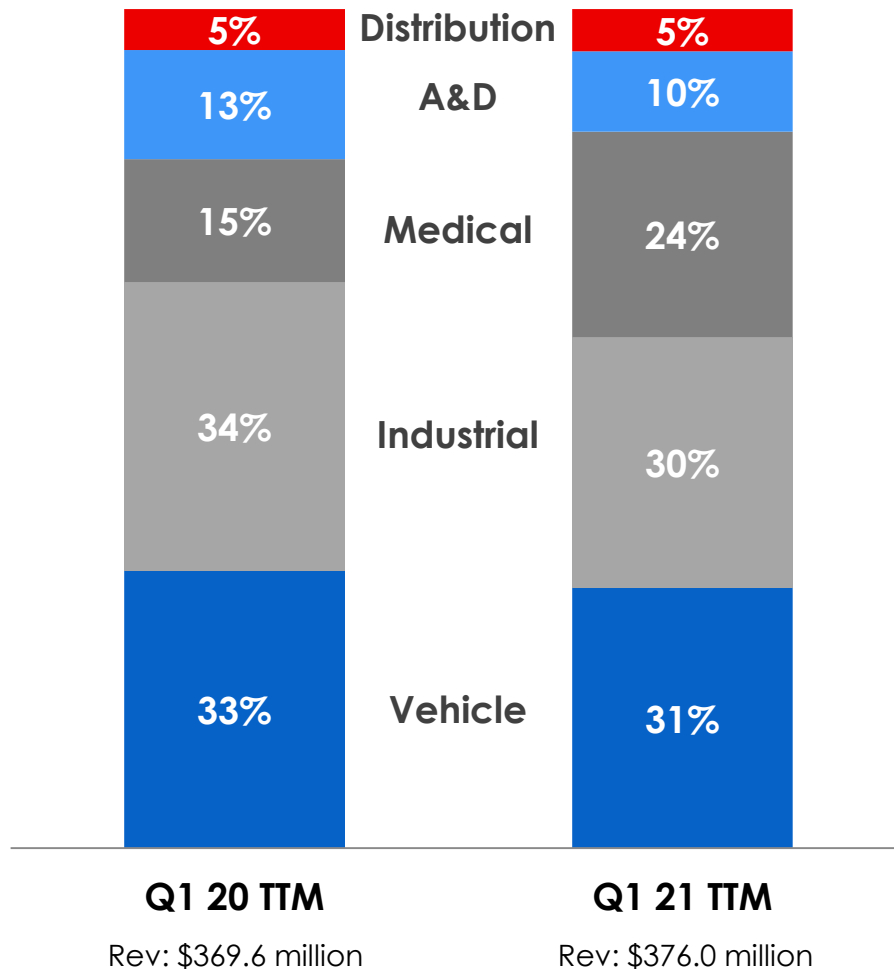
\$4.3 million favorable FX

Strong demand in Medical and Vehicle markets

Years



Revenue by Market



TTM revenue up 2%

Medical	+ 71%
Vehicle	- 4%
Distribution	- 6%
Industrial	- 11%
A&D	- 24%

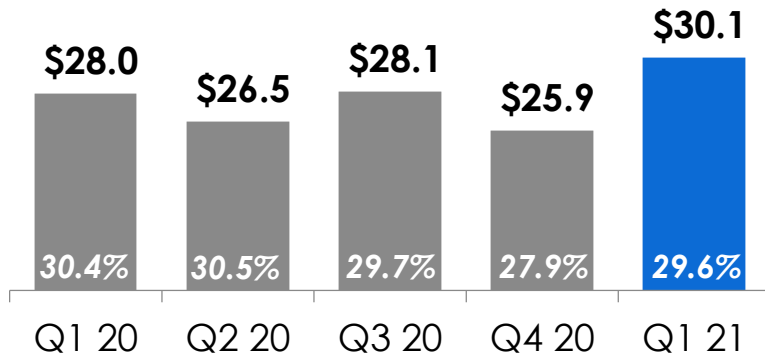
Dynamic Controls business incorporated into Medical

Percent totals may not equal 100% due to rounding

Gross Profit and Margin

(\$ in millions)

Quarters

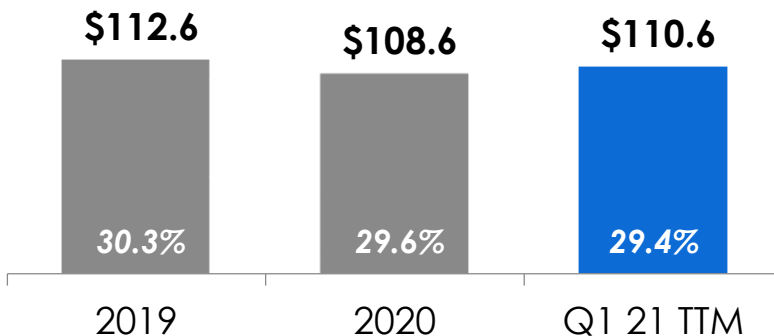


Up \$2.0 million or 7%

Margin impacts:

- + Lean tool kit (AST)
- Higher freight and duties due to supply chain constraints and ensuring on time deliveries
- Unfavorable mix, including more mechanical component sales

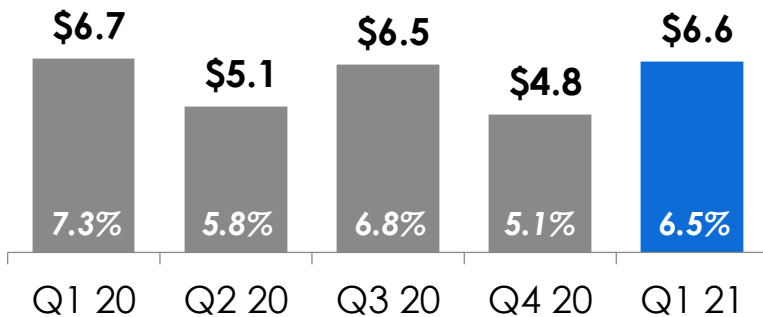
Years



Operating Income and Margin

(\$ in millions)

Quarters



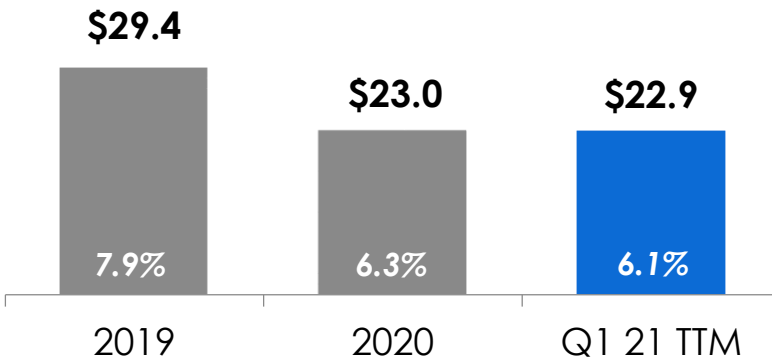
Operating costs as a percent of revenue unchanged at 23.1%

- Higher volume offset increased incentive compensation

Maintaining key engineering capabilities

- E&D 6.8% of sales in Q1 21 vs 6.7% in Q1 20

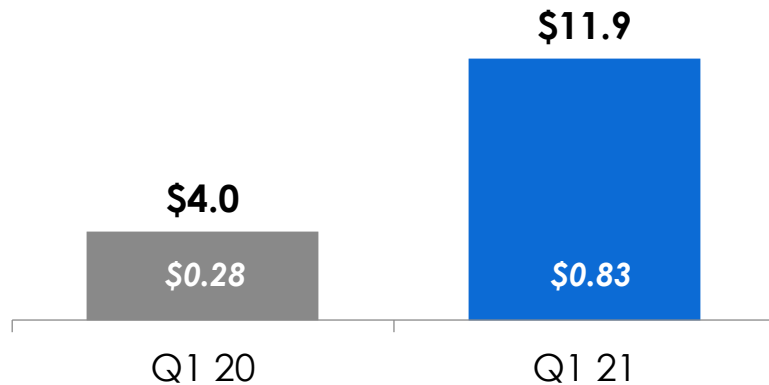
Years



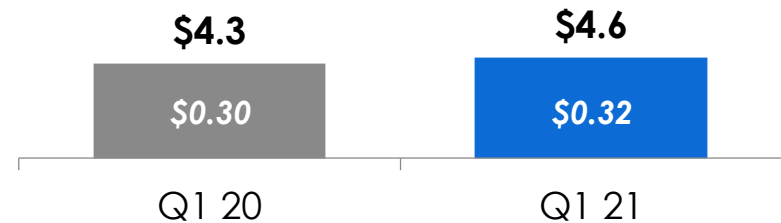
Net Income and Adjusted EBITDA

(\$ in millions, except per share data)

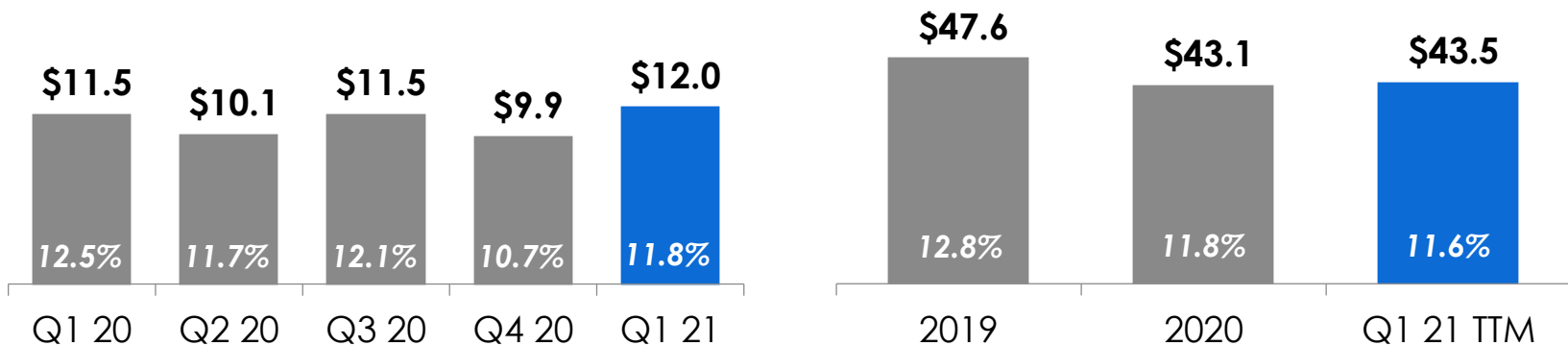
Net Income and EPS



Adjusted Net Income and EPS⁽¹⁾



Adjusted EBITDA⁽¹⁾ and Margin



All per share information reflect the April 30, 2021 3-for-2 stock dividend

⁽¹⁾See supplemental slides for Adjusted Net Income and Adjusted EBITDA reconciliations and other important disclaimers.

Balance Sheet

(\$ in millions)

CAPITALIZATION		
	Mar. 31, 2021	Dec. 31, 2020
Cash and cash equivalents	\$ 24.7	\$ 23.1
Total debt	119.9	120.1
Total net debt	95.2	96.9
Shareholders' equity	153.0	143.1
Total capitalization	\$ 272.9	\$ 263.1
Debt/total capitalization	43.9%	45.6%
Net debt/net total capitalization	38.3%	40.4%

Maintaining financial strength

Net debt/net total capitalization improved 210 bps to 38.3%

Bank leverage ratio⁽¹⁾ of 2.71x

⁽¹⁾Bank leverage ratio calculated in accordance with the Company's credit agreement

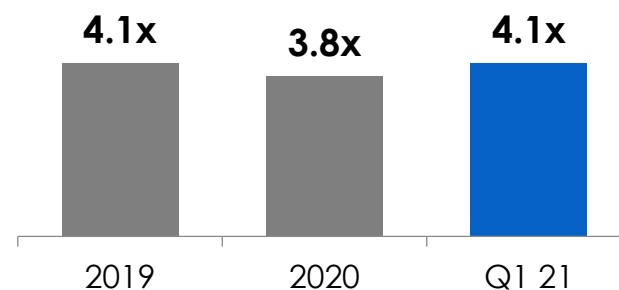
NOTE: Components may not add up to totals due to rounding

Cash Flow

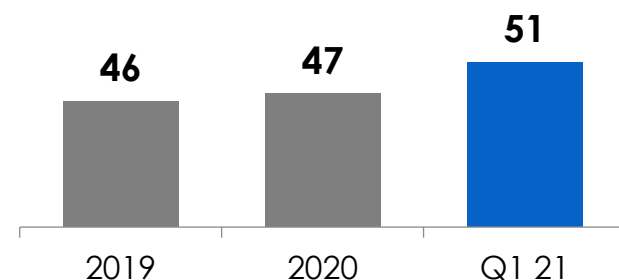
(\$ in millions)

Note: Components may not add to totals due to rounding	Three Months Ended	
	3/31/21	3/31/20
Net cash provided by operating activities	\$ 5.6	\$ (3.0)
Capital expenditures (CapEx)	(3.1)	(1.7)
Operating free cash flow (FCF)⁽¹⁾	\$ 2.5	\$ (4.7)

Inventory Turnover



Days Sales Outstanding



FY21 CapEx: \$12 - \$15 million⁽²⁾

⁽¹⁾ Free cash flow is a non-GAAP metric defined as cash flow from operations less capital expenditures

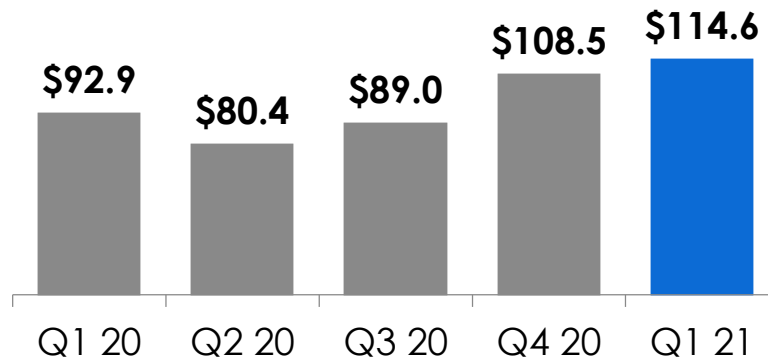
⁽²⁾ 2021 CapEx expectation provided on May 5, 2021

NOTE: Components may not add up to totals due to rounding

Orders and Backlog

(\$ in millions)

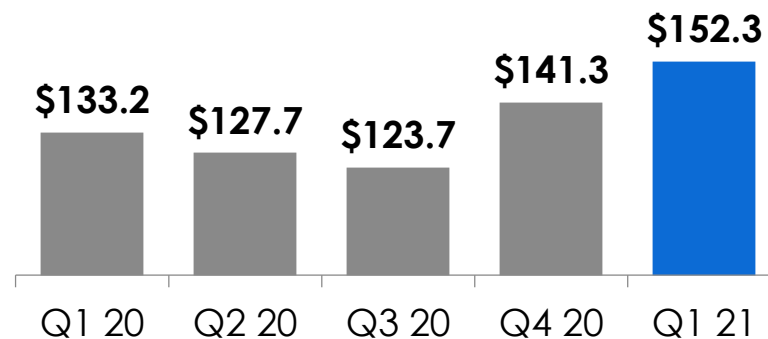
Orders



Record order level up 23% YoY

Favorable \$4.2 foreign currency translation

Backlog



Record backlog up 14% YoY

Majority to ship in three to six months

~\$5 million of the \$325 million of previously announced Vehicle market awards is included in backlog

Outlook

Medical: demand still strong with recovery in elective surgeries and residual demand from pandemic

Vehicle: expect heightened powersports demand to continue into Q2 21;
large automotive contracts are progressing

Industrial and A&D: Improving market conditions with increased quoting and orders

Well positioned to drive further efficiency and profitable growth

- Record backlog
- Diverse market channel strategy
- Proven cash generation capabilities
- Allied Systematic Tools (AST) to drive continuous improvement in all areas

Expect to invest \$12 million to \$15 million in capital expenditures during FY21

Expect tax rate to range between 26% and 28% for the remainder of FY21

Long-term goal: Increase gross margin by 1% per year

Conference Call and Webcast Playback

- Replay Number: **412-317-6671** passcode: **13718359**
- Telephone replay available through Thursday, May 13, 2021
- Webcast / Presentation / Replay available at www.alliedmotion.com/investor-relations/
- Transcript, when available, at www.alliedmotion.com/investor-relations/



Motion Solutions that Change the Game

Supplemental Information

Adjusted Net Income Reconciliation (Unaudited)

(\$ in thousands, except per share data)

All share and per share information reflect the April 30, 2021 3-for-2 stock dividend

For the three months ended

	Mar 31, 2020	Jun 30, 2020	Sept 30, 2020	Dec 31, 2020	Mar 31, 2021
Net income	\$ 4,035	\$ 2,896	\$ 4,013	\$ 2,699	\$ 11,927
Income tax benefit	-	-	-	-	(7,373)
Non-income based tax assessment	-	-	-	(424)	-
Foreign currency loss (gain)	66	83	211	400	(9)
Business development costs	178	124	6	30	15
Adjusted Net Income	\$ 4,279	\$ 3,103	\$ 4,230	\$ 2,705	\$ 4,560
Average Diluted Shares Outstanding	14,274	14,304	14,369	14,403	14,438
Diluted earnings per share	\$0.28	\$0.20	\$0.28	\$0.19	\$0.83
Adjusted diluted earnings per share	\$0.30	\$0.22	\$0.29	\$0.19	\$0.32

Adjusted net income and diluted EPS are defined as net income as reported, adjusted for unusual non-recurring items. Adjusted net income and diluted EPS are not a measure determined in accordance with generally accepted accounting principles in the United States, commonly known as GAAP, and may not be comparable to the measure as used by other companies. Nevertheless, the Company believes that providing non-GAAP information, such as adjusted net income and diluted EPS are important for investors and other readers of the Company's financial statements and assists in understanding the comparison of the current quarter's and current year's net income and diluted EPS to the historical periods' net income and diluted EPS.

NOTE: Components may not add up to totals due to rounding

Adjusted Net Income Reconciliation (Unaudited)

(\$ in thousands, except per share data)

All share and per share information reflect the April 30, 2021 3-for-2 stock dividend

	For twelve months ended		
	Dec 31, 2019	Dec 31, 2020	Mar 31, 2021
Net income	\$ 17,022	\$ 13,643	\$ 21,535
Income tax benefit	-	-	(7,373)
Non-income based tax assessment	384	(424)	(424)
Income tax provision charge	433	-	-
Foreign currency loss (gain)	79	752	677
Business development costs	81	344	181
Non-GAAP Adjusted Net Income	\$ 17,999	\$ 14,315	\$ 14,596
Average Diluted Shares Outstanding	14,192	14,333	14,378
Diluted earnings per share	\$1.20	\$0.95	\$1.50
Adjusted diluted earnings per share	\$1.27	\$1.00	\$1.02

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NOTE: Components may not add up to totals due to rounding

Adjusted EBITDA Reconciliation *(Unaudited)*

(\$ in thousands)

	For the three months ended				
	Mar 31, 2020	Jun 30, 2020	Sept 30, 2020	Dec 31, 2020	Mar 31, 2021
Net income	\$ 4,035	\$ 2,896	\$ 4,013	\$ 2,699	\$ 11,927
Interest expense	1,054	901	844	917	861
Provision (benefit) for income taxes	1,567	1,237	1,369	960	(6,057)
Depreciation and amortization	3,750	3,877	4,055	4,303	4,431
EBITDA	\$10,406	\$8,911	\$10,281	\$8,879	\$11,162
Stock compensation expense	789	931	920	910	797
Foreign currency loss (gain)	92	118	283	542	(12)
Business development costs	247	177	8	41	19
Non-income based tax assessment	-	-	-	(424)	-
Adjusted EBITDA	\$ 11,534	\$ 10,137	\$ 11,492	\$ 9,948	\$ 11,966

In addition to reporting net income, a U.S. generally accepted accounting principle ("GAAP") measure, the Company presents Adjusted EBITDA (earnings before interest, income taxes, depreciation and amortization, stock compensation expense, foreign currency gains/losses, business development costs and non income based tax assessment), which is a non-GAAP measure. The Company believes Adjusted EBITDA is often a useful measure of a Company's operating performance and is a significant basis used by the Company's management to evaluate and compare the core operating performance of its business from period to period by removing the impact of the capital structure (interest), tangible and intangible asset base (depreciation and amortization), taxes, stock-based compensation expense, business development costs related to acquisitions, foreign currency gains/losses on short-term assets and liabilities, and other items that are not indicative of the Company's core operating performance. Adjusted EBITDA does not represent and should not be considered as an alternative to net income, operating income, net cash provided by operating activities or any other measure for determining operating performance or liquidity that is calculated in accordance with generally accepted accounting principles.

Adjusted EBITDA Reconciliation *(Unaudited)*

(\$ in thousands)

For twelve months ended

	Dec 31, 2019	Dec 31, 2020	Mar 31, 2021
Net income	\$ 17,022	\$ 13,643	\$ 21,535
Interest expense	5,134	3,716	3,523
Provision (benefit) for income taxes	6,819	5,133	(2,491)
Depreciation and amortization	14,857	15,985	16,666
EBITDA	\$ 43,832	\$ 38,477	\$ 39,233
Stock compensation expense	3,203	3,550	3,558
Foreign currency loss	111	1,035	931
Business development costs	113	473	246
Non-income based tax assessment	384	(424)	(424)
Adjusted EBITDA	\$ 47,643	\$ 43,111	\$ 43,544

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